

Annual Financial Statements

for

**MOLEMOLE LOCAL MUNICIPALITY**

for the year ended 30 Jun **2012**

Province:

Limpopo

AFS rounding:

***R (i.e. only cents)***

**Contact Information:**

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**MOLEMOLE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

## General information

## Members of the Council

MAKGATO M.P	<b>Mayor</b>
MOABELO M.L	<b>Speaker</b>
RAKUBU P	<b>Chiefwhip</b>
PAYA M.P	Member of the Executive Committee
PAKGADI D	Member of the Executive Committee
PHIHLELA A	Member of the Executive Committee
MOSEAMO R	Member of the Executive Committee
LEHONG D	Member
SENOAMADI S	Member
MAILA M	Member
MALATJI C	Member
MOYO T	Member
MALEBATSA B	Member
RAHLANA	Member
MPHELO E	Member
SEAKAMELA W	Member
MALEMA M	Member
TAWANA M	Member
MATJEE C	Member
RAMALEPE E	Member
MAKGALO G	Member
MEHALA P	Member
HLAPA J	Member
MAKGOKA A	Member
NKOANA M	Member
MAPARA M	Member
MAHLOPHE A	Member

## Municipal Manager

NKOANA T.D

## Chief Financial Officer

## Kwena Moloko

## Grading of Local Authority

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## Auditors

Auditor-General

## Bankers

NEDBANK

**MOLEMOLE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**General information (continued)**

**Registered Office:**

**Physical address:**

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MOGWADI  
0715

**Postal address:**

**PRIVATE BAG X 44**  
MOGWADI  
0715

**Telephone number:**

015 501 0243/4

**Fax number:**

015 501 0419

**E-mail address:**

**molemole.gov.za**

**MOLEMOLE LOCAL MUNICIPALITY**  
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**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 12 to 15, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's

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Municipal Manager:

*DATE*

**MOLEMOLE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

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MOLEMOLE LOCAL MUNICIPALITY			
STATEMENT OF FINANCIAL POSITION			
as at 30 June 2012			
	Note	2012 R	2011 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	28 565 770	12 283 343
Trade and other receivables from exchange transactions	3	11 051 098	2 626 650
Other receivables from non-exchange transactions	4	4 777 001	2 183 412
Inventories	5	163 860	540 272
Investments	6	311	311
VAT receivable	7	669 564	1 712 799
<b>Non-current assets</b>			
Investment property .	8	3 734 000	-
Property, plant and equipment	9	95 555 484	76 176 687
<b>Total assets</b>		<b>144 517 087</b>	<b>95 523 475</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	10	11 121 527	14 145 938
Consumer deposits	11	453 863	444 867
CDM Advance	12	602 571	-
Unspent portion of conditional grants and receipts	13	17 212 951	2 198 407
Current portion of finance lease liability	14	368 421	93 408
<b>Non-current liabilities</b>			
Non-current finance lease liability	14	1 753 935	507 691
Post Employment benefit plan	15	3 195 514	2 672 758
Long service awards obligations	16	1 228 193	987 170
Non-current provisions-Land fill sites	17		
<b>Total liabilities</b>		<b>35 936 975</b>	<b>21 050 239</b>
<b>Net assets</b>		<b>108 580 112</b>	<b>74 473 236</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		108 580 112	74 473 236
<b>Total net assets</b>		<b>108 580 112</b>	<b>74 473 236</b>

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<b>MOLEMOLE LOCAL MUNICIPALITY</b> <b>STATEMENT OF FINANCIAL PERFORMANCE</b> for the year ending 30 June 2012			
	<b>Note</b>	<b>2012 R</b>	<b>2011 R</b>
<b>Revenue</b>			
Property rates	18	3 359 021	3 810 519
Water -related -Sales	18	308 479	-
Service charges (Electricity and Refuse)	19	7 277 209	5 349 783
Rental of facilities and equipment	20	164 205	199 869
Interest earned - external investments	21	610 454	587 539
Interest earned - outstanding receivables	22	2 104 642	1 206 716
Fines		404 423	516 045
Licences and permits		467 043	2 676 088
Government grants and subsidies	23	73 157 560	67 389 013
Donation received	24	12 917 076	-
Other income	25	3 334 322	2 169 854
<b>Total revenue</b>		<b>104 104 434</b>	<b>83 905 425</b>
<b>Expenses</b>			
Employee related costs	26	35 051 971	29 285 812
Remuneration of councillors	27	6 543 884	5 391 264
Bad debts written off		-	3 907 662
Depreciation and amortisation expense	28	4 881 743	4 282 926
Impairment loss			124 772
Repairs and maintenance		1 447 304	3 524 859
Finance costs	29	-	316 474
Bulk purchases	30	5 544 185	3 959 130
Contracted services	31	1 881 603	1 023 339
General expenses	32	21 878 262	15 238 406
<b>Total expenses</b>		<b>77 228 953</b>	<b>67 054 644</b>
Gain / (loss) on sale of assets	33	523 710	-
Inventories: Write-down to net realisable value	5	-	-
<b>Surplus / (deficit) for the period</b>		<b>27 399 191</b>	<b>16 850 781</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2012

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Balance at 30 June 2010</b>		<b>60 591 470</b>	60 591 470
Changes in accounting policy			-
Correction of prior period error		690 914	690 914
<b>Restated balance</b>		<b>61 282 384</b>	61 282 384
Fair value adjustment on Roads infrastructure.			-
Surplus for the period		16 850 781	16 850 781
<b>Balance at 30 June 2011</b>		<b>78 133 165</b>	<b>78 133 165</b>
Correction of prior period error		(3 659 929)	(3 659 929)
<b>Restated balance at 30 June 2011</b>		<b>74 473 236</b>	<b>74 473 236</b>
Fair value adjustment on Roads infrastructure.			-
Correction of prior period error		6 707 684	6 707 684
Surplus for the period		27 399 191	27 399 191
<b>Balance at 30 June 2012</b>		<b>108 580 112</b>	<b>108 580 112</b>



MOLEMOLE LOCAL MUNICIPALITY			
CASH FLOW STATEMENT			
as at 30 June 2012			
	Note	2012 R	2011 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		91 348 534	77 604 592
Taxation			
Sales of goods and services		725 598	9 160 302
Grants		86 497 000	67 389 013
Interest received		610 454	1 794 254
Other receipts		1 769 990	5 561 856
Other receipts		1 745 493	(6 300 833)
Payments		64 461 144	53 960 583
Employee costs		6 543 884	34 677 076
Suppliers		28 685 984	23 745 734
Interest paid		8 375	316 474
Other payments		29 222 901	(4 778 701)
<b>Net cash flows from operating activities</b>	35	<b>26 887 391</b>	<b>23 644 008</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)		(11 604 907)	(18 274 773)
Proceeds from sale of fixed assets		1 219 749	-
<b>Net cash flows from investing activities</b>		<b>(10 385 158)</b>	<b>(18 274 773)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from finance lease liability			
Repayment of finance lease liability		(219 806)	(92 524)
<b>Net cash flows from financing activities</b>		<b>(219 806)</b>	<b>(92 524)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		16 282 427	5 276 711
<b>Net cash and cash equivalents at beginning of period</b>		12 283 343	7 006 632
<b>Net cash and cash equivalents at end of period</b>	36	<b>28 565 770</b>	<b>12 283 343</b>

**MOLEMOLÉ LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT**

**1.4 YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

## **2 PROPERTY, PLANT AND EQUIPMENT**

### **2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### 2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	36 years	Buildings	30 years
		Vehicles	5 years
Electricity	45 years	Office equipment	5 years
Water	20 years	Furniture and fittings	7 years
		Other items of plant and equipment	10 years
Sewerage	20 years	Computer equipment	3 years
		Landfill sites	
Community			
Buildings	30 years		
Recreational Facilities	20 years		
Security	20 years		
Halls	30 years		
Libraries	30 years		
Parks and gardens	30 years		
Finance lease assets			
Office equipment	12 years		
Other assets			

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### 2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4 INVESTMENT PROPERTY**

### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion

### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises

## **5 INVENTORIES**

### **7.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **7.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The municipality use the first in first out method in allocation of inventory items.

## **6 FINANCIAL INSTRUMENTS**

### **6.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **6.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **6.2.1 INVESTMENTS**

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **6.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **6.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **6.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

### **7 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



## 8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 11 LEASES

### 14 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease

#### **14 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **12 REVENUE**

#### **15 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## **15 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **15 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **16 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees excluding section 57 managers and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

The municipality will provide post employment medical benefits to its employees.

## **17 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>2 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		-	-
Cash at bank		18 459 203	12 167 935
Call deposits		10 106 566	115 407
		<u>28 565 770</u>	<u>12 283 343</u>
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
Nedbank Bank Limited - Polokwane Branch Account number:1467000442			
Cash book balance at beginning of year		10 936 244	3 382 219
Cash book balance at end of year		1 107 913	10 936 244
Bank statement balance at beginning of year		14 773 696	7 754 918
Bank statement balance at end of year		5 168 000	14 773 696
<b><u>Call Account (Call deposit Bank Account)</u></b>			
Nedbank Bank Limited - Polokwane Branch Account number:037411508977			
Cash book balance at beginning of year		10 936 244	3 382 219
Cash book balance at end of year		10 106 566	10 936 244
Bank statement balance at beginning of year		14 773 696	7 754 918
Bank statement balance at end of year		10 159 913	14 773 696
<b><u>Grants Funds Account (Call deposit Bank Account)</u></b>			
Nedbank Bank Limited - Polokwane Branch Account number:1013994825			
Cash book balance at beginning of year		6 219	3 571 000
Cash book balance at end of year		17 351 290	6 219
Bank statement balance at beginning of year		14 773 696	7 754 918
Bank statement balance at end of year		17 345 035	14 773 696
<b><u>Cash on hand</u></b>			
		-	-
Total cash and cash equivalents		<u>28 565 770</u>	<u>12 283 343</u>

**MOLEMOL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	<b>Gross Balances</b>	<b>Provision for</b>	<b>Net Balance</b>
	R	Doubtful Debts	R
<u>Trade receivables</u>		R	
<b>as at 30 June 2012</b>			
Service debtors			
Electricity	5 488 322	(3 717 472)	1 770 850
Rates	14 009 197	(5 685 862)	8 323 336
Refuse	3 780 216	(2 839 064)	941 152
Other	6 760 746	(6 744 985)	15 761
<b>Total</b>	<b>30 038 481</b>	<b>(18 987 383)</b>	<b>11 051 098</b>

**Total Trade and other receivables**

**as at 30 June 2011**

Service debtors			
Electricity	3 516 871	2 837 755	679 116
Rates	7 134 433	6 446 926	687 507
Refuse	2 190 828	1 736 587	454 241
Other	2 824 414	2 018 628	805 786
<b>Total</b>	<b>15 666 546</b>	<b>13 039 896</b>	<b>2 626 650</b>

**Rates: Ageing**

Current (0 – 30 days)	1 272 737	614 744
31 - 60 Days	903 075	231 678
61 - 90 Days	1 156 629	228 523
91 - 120 Days	1 155 409	210 793
121 - 150 Days	1 153 660	211 494
151 - 180 Days	713 349	188 139
181 - 210 Days	1 134 329	206 792
211 - 240 Days	1 207 455	200 251
241 - 270 Days	1 141 494	5 042 018
+ 365 Days	4 171 059	-
<b>Total</b>	<b>14 009 197</b>	<b>7 134 433</b>

**Electricity: Ageing**

Current (0 – 30 days)	225 784	307 567
31 - 60 Days	211 163	115 912
61 - 90 Days	203 398	114 334
91 - 120 Days	234 806	105 463
151 - 180 Days	209 698	105 814
181 - 210 Days	290 007	94 129
211 - 240 Days	214 033	103 461
241 - 270 Days	186 636	100 189
121 - 365 Days	326 138	2 470 001
+ 365 Days	3 386 657	-
<b>Total</b>	<b>5 488 322</b>	<b>3 516 871</b>

**Refuse: Ageing**

Current (0 – 30 days)	126 997	188 775
31 - 60 Days	125 583	71 143
61 - 90 Days	124 872	70 175
91 - 120 Days	123 161	64 730
151 - 180 Days	122 170	64 945
181 - 210 Days	121 176	57 773
211 - 240 Days	120 006	63 501
241 - 270 Days	117 569	61 493
121 - 365 Days	114 383	1 548 293
+ 365 Days	2 684 299	-
<b>Total</b>	<b>3 780 216</b>	<b>2 190 828</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

<b>Note</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>Other: Ageing</b>			
Current (0 – 30 days)		4 909	448 412
31 - 60 Days		2 108	168 683
61 - 90 Days		1 691	166 336
91 - 120 Days		1 572	153 489
151 - 180 Days		1 572	153 917
181 - 210 Days		1 572	137 055
211 - 240 Days		2 168	150 549
241 - 270 Days		1 572	160 289
121 - 365 Days		116	1 285 684
+ 365 Days		6 743 467	-
<b>Total</b>		<b>6 760 746</b>	<b>2 824 414</b>



**MOLEMOL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>3.1 Reconciliation of the doubtful debt provision</b>			
Balance at beginning of the year		13 039 896	9 132 234
Contributions to provision		(271 341)	3 907 662
Doubtful debts written off against provision		-	-
Reversal of provision		-	-
<b>Balance at end of year</b>		<b>12 768 554</b>	<b>13 039 896</b>

**4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Overpayment to councillors		-	-
Overpayment to staff		-	-
Capricorn District Municipality-Water related		-	-
Unauthorized expenditure (see Note 50.1)	<a href="#">Notes1-10!A686</a>	-	-
Sundry debtors		4 777 001	2 183 412
<b>Total Other Debtors</b>		<b>4 777 001</b>	<b>2 183 412</b>

The municipality have no capacity to provide water to the surrounding community. The water and sanitation services therefore provided by the Capricorn district municipality. Provision of such service is done by the local municipality on behalf of the district municipality. There is an agreement that the Molemole municipality would get 100% of the money received from the water related debtors for a period of three years. The amount of outstanding water related debtor, net of the provision was raised as other debtors in accordance with the accrual basis of accounting.

**5 INVENTORIES**

<b>Opening balance of inventories:</b>	<b>540 272</b>	<b>540 272</b>
Consumable stores - at cost	540 272	540 272
<b>Additions:</b>	<b>458 866</b>	<b>-</b>
Consumable stores	458 866	-
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	-	-
<b>Issued (expensed):</b>	<b>(785 946)</b>	<b>-</b>
Consumable stores	(785 946)	-
Maintenance materials	-	-
Spare parts	-	-

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):</b>		<b>(49 333)</b>	- <span style="color: red;">↗</span>
Consumable stores		(49 333)	-
Maintenance materials		-	-
Spare parts		-	-
<b>Closing balance of inventories:</b>		<b>163 860</b>	<b>540 272</b>
Consumable stores		163 860	540 272

The municipality recognises inventory at the lower of cost and net realisable value.

**6 INVESTMENTS**

Deposits	311	311
Call investments	-	-
	<u><b>311</b></u>	<u><b>311</b></u>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

<b>Note</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>VAT RECEIVABLE</b>			
7 VAT receivable		669 564	1 712 799
Accrued VAT (Creditors)			
		<u>669 564</u>	<u>1 712 799</u>

VAT is payable on the invoice basis. VAT is claimable from SARS once a valid tax invoice is received .

**8 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

8.1 Reconciliation of fair value	investment property	Total
	Land R	Land R
<b>as at 1 July 2011</b>	-	-
Acquisitions	-	-
Fair value adjustment	-	-
Transfers	3 734 000	3 734 000
Other movements		
<b>as at 30 June 2012</b>	<u><b>3 734 000</b></u>	<u><b>3 734 000</b></u>

The local municipality received a donation of land from the Capricorn District during the current year. The land was received at market values.  
The local municipality has yet determined the use for which the land would be put to use. There was no rental income or expense on the land.

8.2 Reconciliation of fair value	Investment property Land R	Total Land R
<b>as at 1 July 2010</b>	-	-
Acquisitions	-	-
Fair value adjustment	-	-
	-	-
Fair value of disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
<b>as at 30 June 2011</b>	<u><b>-</b></u>	<u><b>-</b></u>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**9 PROPERTY, PLANT AND EQUIPMENT**

11.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2011</b>	<b>1 513 500</b>	<b>3 890 914</b>	<b>45 095 016</b>	<b>17 171 033</b>	-	<b>8 091 741</b>	<b>414 459</b>	<b>76 176 663</b>
Cost/Revaluation	1 513 500	4 664 868	46 868 236	18 907 428	-	19 568 992	694 367	92 217 392
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(773 955)	(1 773 220)	(1 736 395)	-	(11 477 251)	(279 908)	(16 040 729)
Acquisitions	-	4 675 381	1 382 877	4 740 120	-	3 425 812	-	14 224 190
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(960 646)	(1 284 678)	(498 497)	-	(1 813 811)	-	(4 557 631)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	9 712 262	-	-	-	9 712 262
Other movements*	-	-	-	-	-	-	-	-
<b>as at 30 June 2012</b>	<b>1 513 500</b>	<b>7 605 649</b>	<b>45 193 216</b>	<b>31 124 918</b>	-	<b>9 703 742</b>	<b>414 459</b>	<b>95 555 484</b>
Cost/Revaluation	1 513 500	9 340 250	48 251 113	33 359 810	-	22 994 804	694 367	116 153 844
Accumulated depreciation and impairment losses	-	(1 734 601)	(3 057 898)	(2 234 892)	-	(13 291 062)	(279 908)	(20 598 360)

\*Other movements consist of .....

Refer to Appendix B for more detail on property, plant and equipment

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

11.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2010</b>	<b>1 513 500</b>	<b>3 742 915</b>	<b>37 523 350</b>	<b>10 219 315</b>	<b>-</b>	<b>7 934 826</b>	<b>545 717</b>	<b>61 479 622</b>
Cost/Revaluation	1 513 500	4 367 675	38 213 907	11 513 704	-	16 809 474	694 367	73 112 627
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(624 760)	(690 557)	(1 294 389)	-	(8 874 649)	(148 650)	(11 633 005)
Acquisitions	-	297 193	8 654 330	7 393 724	-	2 759 518	-	19 104 765
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(149 194)	(1 082 663)	(341 711)	-	(2 578 126)	(131 258)	(4 282 953)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	(100 295)	-	(24 477)	-	(124 772)
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 30 June 2011</b>	<b>1 513 500</b>	<b>3 890 914</b>	<b>45 095 016</b>	<b>17 171 033</b>	<b>-</b>	<b>8 091 741</b>	<b>414 459</b>	<b>76 176 663</b>
Cost/Revaluation	1 513 500	4 664 868	46 868 236	18 907 428	-	19 568 992	694 367	92 217 392
Accumulated depreciation and impairment losses	-	(773 955)	(1 773 220)	(1 736 395)	-	(11 477 251)	(279 908)	(16 040 729)

\*Other movements consist of .....

Refer to Appendix B for more detail on property, plant and equipment

[App B 'A1](#)

**MOLEMOL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		1 435 090	2 981 629
Payments received in advance		-	-
Retentions		3 804 053	3 172 710
Staff leave accrual		3 743 507	3 743 507
Bonus accrual		788 393	928 929
Other creditors		1 263 036	3 319 162
<b>Total creditors</b>		<b>11 034 079</b>	<b>14 145 938</b>

The fair value of trade and other payables approximates their carrying amounts.

**11 CONSUMER DEPOSITS**

Consumer deposits	453 863	444 867
<b>Total consumer deposits</b>	<b>453 863</b>	<b>444 867</b>

No interest is paid on consumer deposits

**12 CDM Advance**

Opening Balance	-
Additions	602 571
Utilised	-
Closing balance	-

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note	2012 R	2011 R
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**13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**13.1 Unspent Conditional Grants from other spheres of Government**

Municipal Infrastructure Grants -MIG	13 468 904	-
Financial Management Grant-FMG	430 252	278 520
Municipal Support Improvement Grant-MSIG	698 046	698 047
Capricorn District Municipality Grant -CDMG	2 108 947	500 000
Integrated National Electrification Programme Grant-INEPG	506 802	721 841

**Total Unspent Conditional Grants and Receipts**

	<b>17 212 951</b>	<b>2 198 407</b>
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See Note 23 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

[Notes15-61\A291](#)



**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>14 FINANCE LEASE LIABILITY</b>			
<b>2012</b>			
	<b>Minimum lease payment</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts payable under finance leases</b>			
Within one year	515 462	147 042	368 421
Within two to five years	1 993 985	240 049	1 753 935
	<u>2 509 447</u>	<u>387 091</u>	<u>2 122 356</u>
Less: Amount due for settlement within 12 months (current portion)			368 421
			<u><b>1 753 935</b></u>

The average lease term is 5 years and the average effective borrowing rate is 7.5%. Interest rates are fixed at the contract date. The lease has have fixed repayment terms and an escalation rate of 8% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

<b>2011</b>	<b>Minimum lease payment</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts payable under finance leases</b>			
Within one year	369 143	(275 734)	93 408
Within two to five years	868 753	(361 062)	507 691
	<u>1 237 895</u>	<u>(636 796)</u>	<u><b>601 099</b></u>
Less: Amount due for settlement within 12 months (current portion)			93 408
			<u><b>507 691</b></u>

The average lease term is 5 years and the average effective borrowing rate is 7.5%. Interest rates are fixed at the contract date. The lease has have fixed repayment terms and an escalation rate of 8% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>15 POST EMPLOYMENT BENEFIT PLAN</b>			
<p>The municipality had an actuarial valuation during the year for the first time. The following are the key assumptions were taken into account</p> <p>;discount rate of 8.2%;</p> <p>Health costs inflation of 7.09%</p> <p>;average retirement age ;65 for men and 60 for women.</p> <p>The movement in the non-current provision is reconciled as follows: -</p>			
<b>Balance at the beginning of year</b>		<b>2 672 758</b>	<b>2 159 261</b>
Contributions to provision		(55 044)	(48 840)
Current service costs	522 756	250 569	200 443
Interest Costs		232 527	191 617
Actuarial (Gain)/loss		94 704	170 277
<b>Balance at the end of year</b>		<b>3 195 514</b>	<b>2 672 758</b>
<b>16 LONG TERM SERVICE AWARDS</b>			
<p>The long-service award is payable after every 10 years of continuous service and later after each 5 years.. The provision is an estimate of the long-service based on historical staff turnover.</p> <p>Provision for long-service awards:</p>			
<b>Balance at the beginning of year</b>		<b>987 170</b>	849258
Contributions to provision		-97612	-28976
Current service costs	241023	177649	124643
Interest Costs		71174	63240
Actuarial (Gain)/loss		89812	-20995
<b>Balance at the end of year</b>		<b>1 228 193</b>	<b>987 170</b>
<b>17 REHABILITATION FOR LANDFILLS SITES</b>			
<p>Provision for rehabilitation of landfill sites</p> <p>Provision for long-service awards</p> <p><b>Total Non-Current Provisions</b></p> <p>The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal</p>			
<b>18 PROPERTY RATES</b>			
<b>Actual</b>			
<b>Property rates</b>		<b>3 359 021</b>	<b>3 810 519</b>
		-	-
<b>Total</b>		<b>3 359 021</b>	<b>3 810 519</b>
<b>Valuations</b>			
Residential		123 982 854	237 112 956
Commercial		55 919 012	56 299 512
State		16 937 721	22 194 819
Municipal		21 957 201	21 264 720
Farms		1 329 341 400	1 329 569 800
Church		11 055 101	11 165 100
<b>Total Property Valuations</b>		<b>1 559 193 289</b>	<b>1 677 606 907</b>

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Property rates are set according to consumer categories. Residential consumers are given an exemption of R70 000 on property value.

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2012 R	2011 R
<b>19 SERVICE CHARGES</b>			
Sale of electricity		5 720 012	4 119 168
Service levies		-	411 826
Refuse removal		1 557 197	818 790
<b>Total Service Charges</b>		<b>7 277 209</b>	<b>5 349 783</b>
<b>20 RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental of facilities		145 698	171 909
Rental of equipment		18 508	27 961
Other rentals		-	-
<b>Total rentals</b>		<b>164 205</b>	<b>199 869</b>
<b>21 INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Bank		610 454	587 539
Other		-	-
<b>Total interest</b>		<b>610 454</b>	<b>587 539</b>
<b>22 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>			
Consumer debtors		2 104 642	1 206 716
<b>Total interest</b>		<b>2 104 642</b>	<b>1 206 716</b>
<b>23 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable share		64 741 000	57 082 624
MIG Grant		6 247 096	7 047 650
Other Government Grants and Subsidies		2 169 464	3 258 739
<b>Total Government Grant and Subsidies</b>		<b>73 157 560</b>	<b>67 389 013</b>
<b>23.1 Equitable Share</b>			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy, which is funded from the grant.			
<b>23.2 MIG Grant</b>			
<b>Balance unspent at beginning of year</b>		-	655 650
Current year receipts		19 716 000	6 392 000
Conditions met - transferred to revenue		(6 247 096)	(7 047 650)
<b>Conditions still to be met - remain liabilities (see note 13)</b>	<a href="#">Notes15-61!A124</a>	<b>13 468 904</b>	-
<b>23.3 FMG Grant</b>			
<b>Balance unspent at beginning of year</b>		278 519	95 138
Current year receipts		1 250 000	1 000 000
Conditions met - transferred to revenue		(1 098 268)	(816 619)
<b>Conditions still to be met - remain liabilities (see note 13)</b>	<a href="#">Notes15-61!A124</a>	<b>430 252</b>	<b>278 519</b>
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003.			
<b>23.4 MSIG Grant</b>			
<b>Balance unspent at beginning of year</b>		698 046	389 550
Current year receipts		(790 000)	750 000
Conditions met - transferred to revenue		790 000	(441 504)
<b>Conditions still to be met - remain liabilities (see note 13)</b>	<a href="#">Notes15-61!A124</a>	<b>698 046</b>	<b>698 046</b>
This grant was used to build in-house capacity to perform their functions and stabilize institutional and governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.			

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2012 R	2011 R
<b>23.5 Capricorn District Municipality Grant</b>			
Balance unspent at beginning of year		500 000	-
Current year receipts		1 850 000	1 851 457
Conditions met - transferred to revenue		(241 053)	(1 351 457)
Conditions still to be met - remain liabilities (see note 13)	<a href="#">Notes 15-61/A124</a>	<u>2 108 947</u>	<u>500 000</u>
<b>23.6 INEPG Grant (Integrated National Electrification Programme Grant)</b>			
Balance unspent at beginning of year		721 841	1 371 000
Current year receipts		-	(649 159)
Conditions met - transferred to revenue		(215 039)	-
Conditions still to be met - remain liabilities (see note 13)	<a href="#">Notes 15-61/A124</a>	<u>506 802</u>	<u>721 841</u>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>24 DONATION RECEIVED</b>			
Donation received		12 917 076.00	0
<b>Total donation</b>		<b>12 917 076</b>	<b>-</b>

**25 OTHER INCOME**

<b>25.1 Other income</b>			
Other income		3 334 322	2 169 854
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	<a href="#">Notes 15-61/A684</a>	-	-
<b>Total Other Income</b>		<b>3 334 322</b>	<b>2 169 854</b>

**26 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	21 955 460	19 205 174
Employee related costs - Contributions for UIF, pensions and medical aids	5 577 919	4 586 529
Travel, motor car, accommodation, subsistence and other allowances	2 638 475	2 147 812
Housing benefits and allowances	167 994	240 745
Overtime payments	364 354	630 401
Performance and other bonuses	1 536 211	1 166 538
Long-service awards	85 076	40 226
Other employee related costs	2 726 483	1 268 388
<b>Employee Related Costs</b>	<b>35 051 971</b>	<b>29 285 812</b>

There were no advances to employees / Loans to employees are set out in note 3.

**Remuneration of the Municipal Manager**

Annual Remuneration	855 089	372 923
Travel, motor car, accommodation, subsistence and other allowances	323 640	66 000
Bonus	79 606	-
<b>Total</b>	<b>1 258 336</b>	<b>438 923</b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	145 688	564 710
Travel, motor car, accommodation, subsistence and other allowances	209 414	216 000
Court settlement	199 688	-
<b>Total</b>	<b>554 789</b>	<b>780 710</b>

Remuneration of Individual Executive Directors	Technical Services R	LED and Planning Services R	Corporate Services R	Community Services R
<b>2012</b>				
Annual Remuneration	262809.42	443 425	372 143	424 200
Travel, motor car, accommodation, subsistence and other allowances	127748.5	144 964	297 241	108 991
Contributions to UIF, Medical and Pension Funds	-	-	-	-
<b>Total</b>	<b>390557.92</b>	<b>588 390</b>	<b>669 384</b>	<b>533 272</b>

	Technical Services R	LED and Planning Services R	Corporate Services R	Community Services R
<b>2011</b>				
Annual Remuneration	333570	554 443	517 169	546 193
Travel, motor car, accommodation, subsistence and other allowances	72000	99 000	60 000	99 000
Contributions to UIF, Medical and Pension Funds	99000	-	69 357	-
<b>Total</b>	<b>504570</b>	<b>653 443</b>	<b>646 526</b>	<b>645 193</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>27 REMUNERATION OF COUNCILLORS</b>			
Executive Mayor		630 735	576 118
Chief Whip		477 761	442 640
Speaker		508 356	441 152
Executive Committee Members		1 140 481	1 030 883
Councillors		3 786 551	2 900 471
Councillors' pension and medical aid contributions		-	-
<b>Total Councillors' Remuneration</b>		<b>6 543 884</b>	<b>5 391 264</b>

The Executive Mayor, Chief Whip, Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has x full-time bodyguards.

**28 DEPRECIATION AND AMORTISATION EXPENSE**

Property, plant and equipment	4 881 743	3 281 053
<b>Total Depreciation and Amortisation</b>	<b>4 881 743</b>	<b>3 281 053</b>

**29 FINANCE COSTS**

Lease liability	217 258.93	316 474
<b>Total Finance Costs</b>	<b>217 259</b>	<b>316 474</b>

**30 BULK PURCHASES**

Electricity	5 544 185	3 959 130
<b>Total Bulk Purchases</b>	<b>5 544 185</b>	<b>3 959 130</b>

**31 CONTRACTED SERVICES**

Contracted services for: Security services	1 881 603	1 023 339
	<b>1 881 603</b>	<b>1 023 339</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>32 GENERAL EXPENSES</b>			
Included in general expenses are the following:-			
Advertising		446 301	157 190
Audit fees		1 984 542	1 774 740
Bank charges		251 153	265 290
Bursaries		-	-
Cleaning		231 035	146 554
Conferences and delegations		-	-
Connection charges		-	-
Consulting fees		754 057	789 460
Departmental consumption		441 266	385 780
Entertainment		29 841	-
Financial management grant/support		418 937	259 471
Fuel and oil		795 894	1 156 760
Free basic services (Electricity and water)		2 677 320	-
Insurance		707 199	566 699
Legal expenses		1 561 956	424 539
Levies paid		-	-
Licence fees - vehicles		37 940	50 161
Licence fees - computers		-	-
Membership fees		749 962	110 890
Parking		-	-
Postage and telephone		439 646	413 178
Printing and stationery		290 115	200 804
Professional fees		-	-
Rental of buildings		64 477	108 590
Rental of office equipment		1 750 581	201 102
Skills development levies		320 063	-
Employment costs		-	-
Stocks and material		785 946	-
Subscription & publication		-	81 763
Telephone cost-cellphone		103 608	666 486
Training		559 064	230 254
Travel and subsistence		1 289 847	820 598
Uniforms & overalls		-	140 806
Other		5 187 514	6 287 292
		<b>21 878 262</b>	<b>15 238 406</b>
<b>33 GAIN / (LOSS) ON SALE OF ASSETS</b>			
Property, plant and equipment		523 710	-
		-	-
<b>Total Gain / (Loss) on Sale of Assets</b>		<b>523 710</b>	<b>-</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note	2012 R	2011 R
<b>34 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Investment property carried at fair value	-	-
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>-</b>	<b>-</b>
The investment property (land) prices did not change during the year. No fair value adjustment was recognised		
<b>35 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	27 399 191	16 850 781
Adjustment for:-		
Depreciation and amortisation	4 881 743	4 282 926
(Gain) / loss on sale of assets	523 710	-
Impairment loss	-	124 772
Other adjustments	(5 379 121)	
Bad debts written off.		3 907 662
Other non-cash item		
<b>Operating surplus before working capital changes:</b>	<b>27 425 523</b>	<b>25 166 141</b>
(Increase)/decrease in inventories	376 412	(88 524)
(Increase)/decrease in trade receivables	(10 320 085)	(5 743 533)
(Increase)/decrease in other receivables	(2 593 589)	(313 671)
(Increase)/decrease in VAT receivable	1 043 236	69 302
Increase/(decrease) in conditional grants and receipts	15 014 544	(312 932)
Increase/(decrease) in trade payables	(3 024 411)	4 853 398
Increase/(decrease) in consumer deposits	8 996	13 827
Increase/(decrease) in VAT payable	(1 043 236)	
<b>Cash generated by/(utilised in) operations</b>	<b>26 887 391</b>	<b>23 644 008</b>
<b>36 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	28 565 770	12 283 343
Bank overdrafts	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>28 565 770</b>	<b>12 283 343</b>
<b>37 CORRECTION OF ERROR</b>		



**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note	2012 R	2011 R
During the year ended 30 June 2010 and previous years, PPE and other assets were incorrectly recognised: -		
The comparative amount has been restated as follows:		
Depreciation		
Net effect on surplus/(deficit) for the year	-	-
PPE		
VAT receivable not previously recognised		
Non current receivables incorrectly recognised (Investing Act)		
Accruals were understated due to lack of year-end accrual		
Staff leave accrual		
Net effect on Statement of Financial Position	-	-
Net effect on Accumulated surplus opening balance	-	-

**38 CHANGE IN ESTIMATE**

The useful life of certain plant was estimated in 20x0 to be x years. In the current period management have revised their estimate to x years. The effect of this revision has increased the depreciation charges for the current and future periods by R -. Other

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL  
39 EXPENDITURE DISALLOWED**

**39.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure		
Opening balance		
Unauthorised expenditure current year		
Approved by Council or condoned		
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	-	-

**39.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure		
Opening balance -		
Fruitless and wasteful expenditure current year		
Condoned or written off by Council		
To be recovered – contingent asset (see note 55)	<a href="#">Notes15-61/A883</a>	
Fruitless and wasteful expenditure awaiting condonement	-	-

**39.3 Irregular expenditure**

Reconciliation of irregular expenditure		
Opening balance		
Fruitless and wasteful expenditure current year		
Condoned or written off by Council		
Transfer to receivables for recovery – not condoned		
Irregular expenditure awaiting condonement	-	-

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>			
<b>40 MANAGEMENT ACT</b>			
<b>40.1 Audit fees</b>			
Opening balance		(0)	27 956
Current year audit fee		2 117 606	1 746 784
Amount paid - current year		(2 117 606)	(1 774 740)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		<b>(0)</b>	<b>(0)</b>

**40.2 VAT**

VAT input receivables and VAT output payables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

**40.3 PAYE and UIF**

Opening balance			
Current year payroll deductions		4 201 710	3 819 736
Amount paid - current year		(4 201 710)	(3 819 736)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		<b>-</b>	<b>-</b>

The balance represents PAYE and UIF deducted from the June 20X2 payroll. These amounts were paid during July 2012

**40.4 Pension and Medical Aid Deductions**

Opening balance			
Current year payroll deductions and Council Contributions		4 604 837	4 186 215
Amount paid - current year		(4 604 837)	(4 186 215)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		<b>-</b>	<b>-</b>

**41.5 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

**as at 30 June 2012**

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor xx	-		
Councillor xx	-		
Councillor xx	-		
<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>

**as at 30 June 2011**

Councillor xx	-		
Councillor xx	-		
Councillor xx	-		
<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

	Highest Amount Outstanding R	Ageing Days
<b>as at 30 June 2012</b>		
Councillor xx		x days
Councillor xx		x days
<b>as at 30 June 2011</b>		
Councillor xx		x days
Councillor xx		x days

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>41 CAPITAL COMMITMENTS</b>			
<b>41.1 Commitments in respect of capital expenditure</b>			
<b>- Approved and contracted for</b>		<b>11 280 426</b>	<b>3 571 495</b>
Infrastructure		-	-
Community		74 222	3 571 495
Heritage		-	-
Other		11 206 204	-
<b>- Approved but not yet contracted for</b>		<b>3 291 224</b>	<b>-</b>
Infrastructure		-	-
Community		-	-
Heritage		-	-
Other		3 291 224	-
<b>Total</b>		<b>14 571 650</b>	<b>3 571 495</b>
<b>41.2 Operating leases</b>			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
<b>Operating leases - lessee</b>			
Within one year			
In the second to fifth year inclusive			
After five years			
<b>Total</b>		<b>-</b>	<b>-</b>
Total future minimum sublease payment expected to be received under non-cancellable sublease			
Operating Leases consists of the following:			
Municipality rents office equipments and buildings from third parties. Contracts are on a month to month basis			
<b>Operating leases – as lessor</b>			
<b>Minimum lease payments due</b>			
Within one year			
In second to fifth year inclusive			
After five years			
<b>Total</b>		<b>-</b>	<b>-</b>
Operating Leases consists of the following:			
Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable / Contingent rent is receivable based on x% of the municipality's sales which amounts to R -.			

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
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**42 RETIREMENT BENEFIT INFORMATION**

**42.1 Defined benefit plan**

The municipality has responsibility to provide post employment medical benefits to its employees. All the employees belong to ---- medical fund. The most recent actuarial valuation was done on 28 August 2012. These valuations indicate that the plan is in a sound financial position. The estimated liabilities of the fund are Rx million which are adequately funded by assets of Rx million.

An amount of Rxxx (20X0 : Rxxx) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

**43 CONTINGENT LIABILITY**

**43.1 Claim for damages**

The Municipality is being sued by a ratepayer due to damages arising from flooding. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of Rxx. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from xxx

**43.2 Performance bonus dispute – Legal fees**

Several senior officials are disputing the assessment process regarding the payment of performance bonuses. Provision has been made for the payment of the bonuses as assessed by the Municipality. The claim is being considered by the labour court after the CCMA ruled in favour of the Council.

**44 IN-KIND DONATIONS AND ASSISTANCE**

The Municipality received the following in-kind donations and assistance from the Capricorn District Municipality during the year.

Description

Assets:(Taxi ranks )

: Land-Investment property

**Total**

9 183 076

3 734 000

**12 917 076**

**45 RELATED PARTIES**

The following are the related parties to the municipality;

Members of key management

Close family member of key management

Capricorn District municipality

-

-

**MOLEMOL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
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**46 EVENTS AFTER THE REPORTING DATE**

There was no significant event after the balance sheet date that could be disclosed.

**47 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment  
Recoverable amounts of property, plant and equipment  
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)  
Present value of defined benefit obligation  
Fair value of plan assets  
Provision for doubtful debts  
Impairment of assets  
Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

**48 RISK MANAGEMENT**

**48.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

NEDBANK  
Interest rate swaps  
Financial guarantees  
Trade and other receivables

**MOLEMOLE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>48.2 Liquidity risk</b>			
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.			
The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.			
<b>20x1</b>		<b>Not later than one month</b>	<b>Later than one month and not later than three months</b>
Gross finance lease obligations			
Borrowings			
Trade and other payables			
Other			
<b>20x1</b>		<b>Later than three months and not later than one year</b>	<b>Later than one year and not later than five years</b>
Gross finance lease obligations			
Borrowings			
Trade and other payables			
Other			
<b>20x0</b>		<b>Not later than one month</b>	<b>Later than one month and not later than three months</b>
Gross finance lease obligations			
Borrowings			
Trade and other payables			
Other			
<b>20x0</b>		<b>Later than three months and not later than one year</b>	<b>Later than one year and not later than five years</b>
Gross finance lease obligations			
Borrowings			
Trade and other payables			
Other			

**48.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

**48.4 Other price risk**

Examples include changes in commodity prices

**MOLEMOLE LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land</b>													
Land	1 513 500	-	-	-	1 513 500	-	-	-	-	-	-	-	1 513 500
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 513 500	-	-	-	1 513 500	-	-	-	-	-	-	-	1 513 500
<b>Buildings</b>	4 664 868	4 675 381.47	-	-	9 340 250	(773 955)	(960 646)	-	-	(1 734 601)	-	-	7 605 649
<b>Infrastructure</b>													
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	46 868 236	1 382 877.17	-	-	48 251 113	(1 773 220)	(1 284 678)	-	-	(3 057 898)	-	-	45 193 216
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	-	-	-	-	-	-	-	-	-	-	-	-	-
	46 868 236	1 382 877	-	-	48 251 113	(1 773 220)	(1 284 678)	-	-	(3 057 898)	-	-	45 193 216
<b>Community Assets</b>													
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	18 907 428	4 740 119.52	-	-	23 647 548	(1 736 395)	(498 497)	-	-	(2 234 892)	9 712 262.00	-	31 124 918
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Schools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	18 907 428	4 740 120	-	-	23 647 548	(1 736 395)	(498 497)	-	-	(2 234 892)	9 712 262	-	31 124 918
<b>Heritage Assets</b>													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	71 954 033	10 798 378	-	-	82 752 411	(4 283 570)	(2 743 820)	-	-	(7 027 390)	9 712 262	-	85 437 283

**MOLEMOLE LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	71 954 033	10 798 378	-	-	82 752 411	(4 283 570)	(2 743 820)	-	-	(7 027 390)	9 712 262	-	85 437 283
<b>Other Assets</b>													
Office Equipment	1 000 505	1 249 509.23	-	-	2 250 015	(770 258)	(275 118)	-	-	(1 045 376)	-	-	1 204 638
Furniture & Fittings	1 421 418	1 024 424.90	-	-	2 445 842	(865 685)	(128 140)	-	-	(993 825)	-	-	1 452 017
Bins and Containers	1 301 025	-	-	-	1 301 025	(1 165 168)	-	-	-	(1 165 168)	-	-	135 857
Emergency Equipment	139 079	-	-	-	139 079	(27 904)	-	-	-	(27 904)	-	-	111 175
Motor vehicles	14 192 660	554 403.94	-	-	14 747 064	(7 384 484)	(1 188 560)	-	-	(8 573 043)	-	-	6 174 021
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 495 217	189 563.53	-	-	1 684 781	(1 258 080)	(216 966)	-	-	(1 475 046)	-	-	209 735
Computer Software (part of computer equipment)	-	407 910.44	-	-	407 910	-	(5 027)	-	-	(5 027)	-	-	402 884
Other Assets	19 088	-	-	-	19 088	(5 672)	-	-	-	(5 672)	-	-	13 416
	19 568 992	3 425 812	-	-	22 994 804	(11 477 251)	(1 813 811)	-	-	(13 291 062)	-	-	9 703 742
<b>Finance Lease Assets</b>													
Office Equipment	694 367	-	-	-	694 367	(279 908)	-	-	-	(279 908)	-	-	414 459
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	694 367	-	-	-	694 367	(279 908)	-	-	-	(279 908)	-	-	414 459
<b>Total</b>	<b>92 217 392</b>	<b>14 224 190</b>	<b>-</b>	<b>-</b>	<b>106 441 582</b>	<b>(16 040 729)</b>	<b>(4 557 631)</b>	<b>-</b>	<b>-</b>	<b>(20 598 360)</b>	<b>9 712 262</b>	<b>-</b>	<b>95 555 484</b>



**MOLEMOLE LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land</b>													
Land	1 513 500	-	-	-	1 513 500	-	-	-	-	-	-	-	1 513 500
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 513 500	-	-	-	1 513 500	-	-	-	-	-	-	-	1 513 500
<b>Buildings</b>	4 367 675	297 193	-	-	4 664 868	(624 760)	(149 194)	-	-	(773 955)	-	-	3 890 914
<b>Infrastructure</b>													
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	38 213 907	8 654 330	-	-	46 868 236	(690 557)	(1 082 663)	-	-	(1 773 220)	-	-	45 095 016
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	-	-	-	-	-	-	-	-	-	-	-	-	-
	38 213 907	8 654 330	-	-	46 868 236	(690 557)	(1 082 663)	-	-	(1 773 220)	-	-	45 095 016
<b>Community Assets</b>													
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	11 513 704	7 393 724	-	-	18 907 428	(1 294 389)	(341 711)	-	(100 295)	(1 736 395)	-	-	17 171 033
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	11 513 704	7 393 724	-	-	18 907 428	(1 294 389)	(341 711)	-	(100 295)	(1 736 395)	-	-	17 171 033
<b>Heritage Assets</b>													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	55 608 786	16 345 247	-	-	71 954 033	(2 609 706)	(1 573 569)	-	(100 295)	(4 283 570)	-	-	67 670 463

**MOLEMOLE LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	55 608 786	16 345 247	-	-	71 954 033	(2 609 706)	(1 573 569)	-	(100 295)	(4 283 570)	-	-	67 670 463
<b>Other Assets</b>													
Office Equipment	926 916	73 589	-	-	1 000 505	(628 789)	(138 894)	-	(2 576)	(770 258)	-	-	230 248
Furniture & Fittings	1 296 572	124 846	-	-	1 421 418	(694 750)	(169 488)	-	(1 447)	(865 685)	-	-	555 732
Machinery	1 301 025	0	-	-	1 301 025	(953 151)	(192 420)	-	(19 598)	(1 165 168)	-	-	135 857
Emergency Equipment		139 079	-	-	139 079	(9 120)	(18 784.21)	-	-	(27 904)	-	-	111 175
Motor vehicles	11 892 488	2 300 172	-	-	14 192 660	(5 617 212)	(1 767 271)	-	-	(7 384 484)	-	-	6 808 176
Fire engines		-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers		-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 373 386	121 832	-	-	1 495 217	(968 682)	(288 542)	-	(856)	(1 258 080)	-	-	237 137
Computer Software (part of computer equipment)		-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	19 088	-	-	-	19 088	(2 945)	(2 727)	-	-	(5 672)	-	-	13 416
	16 809 474	2 759 518	-	-	19 568 992	(8 874 649)	(2 578 126)	-	(24 477)	(11 477 251)	-	-	8 091 741
<b>Finance Lease Assets</b>													
Office Equipment	694 367	-	-	-	694 367	(148 650)	(131 258)	-	-	(279 908)	-	-	414 459
Other Assets		-	-	-	-	-	-	-	-	-	-	-	-
	694 367	-	-	-	694 367	(148 650)	(131 258)	-	-	(279 908)	-	-	414 459
<b>Total</b>	<b>73 112 627</b>	<b>19 104 765</b>	<b>-</b>	<b>-</b>	<b>92 217 392</b>	<b>(11 633 005)</b>	<b>(4 282 953)</b>	<b>-</b>	<b>(124 772)</b>	<b>(16 040 729)</b>	<b>-</b>	<b>-</b>	<b>76 176 662.56</b>

**MOLEMOLE LOCAL MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council										
Finance & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
<b>Total</b>	-	-	-	-	-	-	-	-	-	-